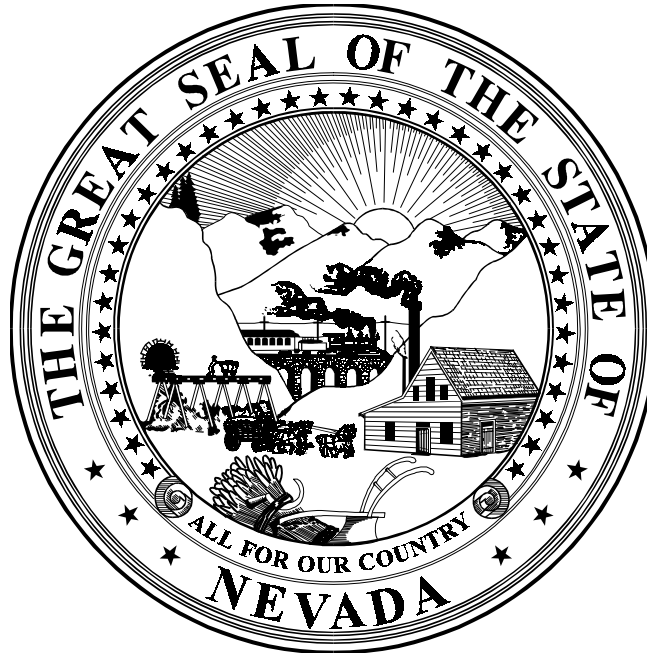


# STATE OF NEVADA

## GAMING CONTROL BOARD



### MINIMUM INTERNAL CONTROL STANDARDS

**Note:** When adopted in 1997, these standards applied to both Group I and Group II licensees. In February 2000, the Nevada Gaming Commission amended the definition of “Group II licensee” and revised Regulation 6.090 to require that Group II licensees (i.e., redefined as those licensees with annual gross gaming revenues of less than \$3 million) follow Internal Control Procedures rather than the Minimum Internal Control Standards. Therefore, although these standards make numerous references to Group II licensees, these standards no longer apply to such licensees – they only apply to those licensees with annual gross gaming revenues of \$3 million or more. References to Group II licensees will be deleted with the next formal revision of the Minimum Internal Control Standards.

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MINIMUM INTERNAL CONTROL STANDARDS  
FOR GROUP I AND GROUP II LICENSEES

## INTERNAL AUDIT

**Note 1: The Board may publish checklists, programs, and guidelines as a supplement to these Standards.**

**Note 2: Whenever possible internal audit observations are performed covertly (i.e., without the employees being knowledgeable that their activities are being observed).**

**Note 3: If the independent accountant also performs the internal audit function, the accountant must perform separate observations of the table games/slot drops and counts to satisfy the internal audit observation requirements and the independent accountant Regulation 6 compliance work requirements. The internal audit observations may not be used to satisfy the independent accountant's Regulation 6 compliance work requirement.**

1. A separate internal audit department (whose primary function is performing internal audit work and who is independent with respect to the departments subject to audit) is maintained by licensees who meet either of the following criteria:
    - a. A single licensee having gross gaming revenue in excess of \$10 million for the 12 months ended June 30; or
    - b. Two or more licensees with essentially common ownership and/or management having combined gross gaming revenue in excess of \$10 million for the 12 months ended June 30. (In such cases a single internal audit department for the combined properties is adequate.)
- Note: An independent accountant is considered acceptable in lieu of an independent department provided all required standards are met.**
2. For licensees who are not required to maintain a separate internal audit department, personnel who are independent with respect to the departments/procedures being examined perform internal audit work.
  3. Documentation (e.g., checklists, programs, reports, etc.) is prepared to evidence all internal audit work performed as it relates to these requirements.
  4. The results of internal audit work are reported to management or ownership personnel who are independent of the departments under audit.
  5. All material exceptions resulting from internal audit work are investigated and resolved, with the results of such being documented and retained for five years.

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## INTERNAL AUDIT

6. Observations and examinations of the following activities, with emphasis on compliance with the Regulation 6 Minimum Internal Control Standards, are performed (based on the licensee's business year end) on the following activities as applicable to the operation:

**The following are reviewed at least once during every six-month period:**

- a. Table games - fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, surprise testing of count room currency counters, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies.
- b. Slots - jackpot payout and slot fill procedures, slot drop/count and currency acceptor drop/count and subsequent transfer of funds, surprise testing of weigh scale and weigh scale interface, surprise testing of count room currency counters, slot machine drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys, and compliance with EPROM duplication procedures.

**The following are reviewed at least annually:**

- c. Keno - game write and payout procedures, sensitive key location and control, and a review of keno auditing procedures.
- d. Card games - card games operation, monetary exchange procedures, shill transactions, and count procedures.
- e. Bingo - bingo card control, payout procedures, and cash reconciliation process.
- f. Entertainment - procedures for initial recording of entertainment revenue, cash turn-in procedures, accounting procedures, and package program allocations.
- g. Race and sports book - write and payout procedures, sensitive key location and control, race and sports book auditing procedures, and compliance with Regulation 22.
- h. Pari-mutuel wagering - write and payout procedures, pari-mutuel auditing procedures, and compliance with Regulations 26A and 26B.
- i. Cage and credit procedures - all cage, credit, and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis.
- j. Cage accountability is reconciled to the general ledger.
- k. Electronic data processing functions - review for compliance with EDP standards.

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**INTERNAL AUDIT**

7. At least annually, gross revenue is reconciled from the accounting records to the monthly NGC tax returns.
8. Branch offices having average total account balances of \$200,000 or more are visited and reviewed at least biennially. The review includes all credit and collection procedures, and the reconciliation of physical instruments to the listing maintained by the licensee of transfers to/from the branch office.
9. In addition to the observation and examinations performed under Standards #6 and #8 above, follow-up observations and examinations are performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the Board and/or the independent accountant. The verification is performed within six months following the date of notification.
10. At least annually the internal audit staff tests for compliance with Regulations 3.100, 5.160, 6.040, 6.050, 6.115, 6.130, 6.150, and 8.130.
11. Upon written request by a licensee, the Audit Division may provide written approval for internal audit personnel to waive the performance of one or more areas of review for a specific year due to the occurrence of unusual circumstances. Such approval is at the sole discretion of the division.